



ILLINOIS

SMALL BUSINESS

ECONOMIC TRENDS

Winter 2026



Introduction

Each month, NFIB publishes the Small Business Economic Trends (SBET) report, which tracks economic activity among small businesses in the U.S. The survey measures changes in sales, employment, investment, financing, and economic sentiment. While this is a useful country-wide snapshot, no state can be defined by national numbers alone. Therefore, the NFIB Research Center has produced state-

specific numbers in our new, semi-annual "State of the States" SBET report for some of the largest states in the U.S. To create statistically meaningful numbers, responses from six monthly surveys are pooled together, creating summer (April-September) and winter (October-March) datapoints. These reports help signal the unique challenges and strengths of each state covered.

ILLINOIS

The “Land of Lincoln” is at the crossroads of America, sitting in the middle of rail, air, water, and highway transportation routes. Due to this strategic location, the state possesses a varied economy, combining urban Chicago and its suburbs, smaller regional cities, and extensive rural agricultural areas. Economic activity is multifaceted, but key drivers include financial and professional services, manufacturing, agriculture, wholesale trade, and real estate. Long considered the economic powerhouse of the Midwest, Illinois has begun to shed its economic luster in recent years, losing ground to its neighbors in terms of both population and economic growth.

Contextual Data

GDP:	\$1.23 Trillion (5 th)
Per capita income:	\$78,900 (16 th)
Unemployment rate:	5.1% (45 th)



1.4 million
small businesses



2.4 million
small business employees

Illinois has the fifth largest economy among U.S. states, with comfortably over \$1 trillion in total GDP. Its per capita income ranks 16th, making it on the higher income side for the country, though not far off the national average. The clear blemish on its economic record is its unemployment rate, which ranks among the worst in the country at 5.1% (meaningfully above the national average of 4.3%). Illinois’ unemployment rate has also climbed significantly in recent months from a low of 4.3% in August 2025.



Optimism Index

Main Street Optimism in Illinois shows a long-standing underperformance compared to the U.S. While the gaps have not always been large, Illinois has scored below the U.S. average for over a decade now. The latest Illinois Optimism Index is 97.3, 1.2 points below the U.S. mark of 98.5 for the same period (Fig. 1). Disappointingly, the Illinois

figure is also below the overall historic average of 98.0.

If there is a silver lining, it is that the recent gaps are much better than most of the late 2010s when the difference between the U.S. and Illinois Optimism Index reached a gargantuan 9 points.

Small Business Optimism Index Seasonally Adjusted (1986=100)

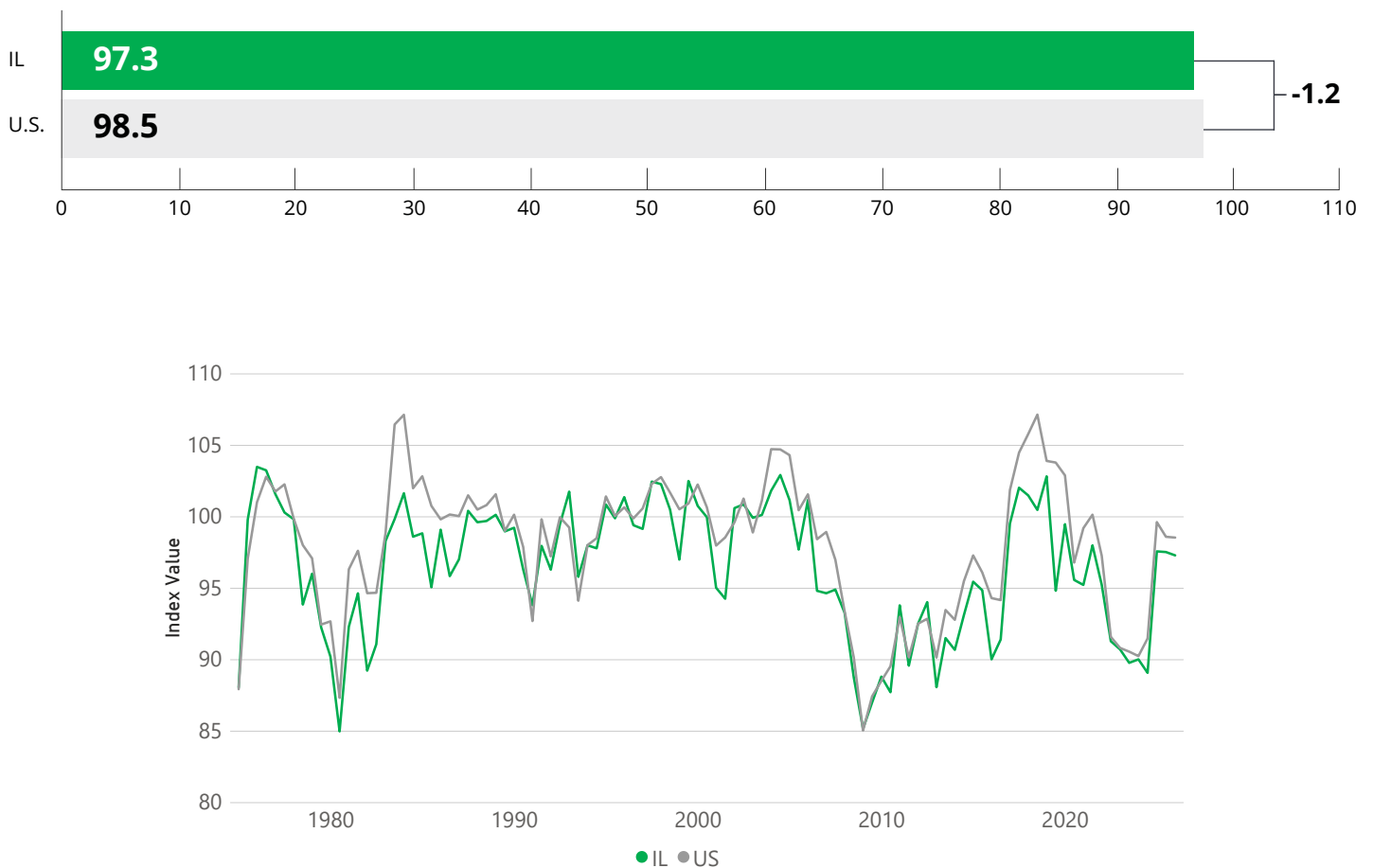


Figure 1



Optimism Index (cont.)

Looking further back, history shows that underperformance of the Index in Illinois has occurred more often than overperformance. There were periods of sustained equal performance, such as when the Illinois Optimism Index was essentially the same as the U.S. in the 1990s.

Resuming focus on the current period, the underlying components of the Index show that five components are roughly the same between the state and the country, four are more negative, and one is more positive. Start with the positive: Illinois has a 4-point advantage on current inventory, a positive indicator of recent sales.

The negative is more comprehensive. The biggest difference is in current job openings, at 7 points worse for Illinois. Given Illinois' higher unemployment rate, the deficit in job openings is both disappointing and unsurprising. The other three negative categories are earnings (profit) trends, with a 4-point gap, and sales expectations and inventory plans with borderline too-small-to-trust 3-point gaps. Given the scale of the positive and negative gaps as well as the contextual data, the main takeaway among all ten components is the substantially lower level of current openings.

Optimism Index Components

Component (Seasonally Adjusted)	Current (IL)	Current (U.S.)	Difference (Rounded)
Plans to Increase Employment	13.0	15.4	-2
Current Openings	24.6	32.0	-7
Expected Credit Conditions	-4.6	-4.2	0
Expect Economy to Improve	18.1	18.9	-1
Expect Real Sales Higher	7.5	10.6	-3
Earnings Trends	-25.3	-21.4	-4
Current Inventory (Too Low)	1.6	-2.6	4
Plans to Increase Inventory	-4.9	-2.4	-3
Now a Good Time to Expand	15.4	13.2	2
Plans to Make Capital Outlays	20.0	19.4	1

Table 1

Business Health

In early 2025, NFIB introduced a new question asking owners to assess the health of their small business. This new metric provides a concrete, point-in-time complement to the broader, more forward-looking Optimism Index. Typically, it tells the same story as the Optimism Index, but not always, and Illinois is a small exception to the tendency.

While Illinois was moderately behind the U.S. on Optimism, it is similar to or perhaps slightly ahead on small business health. Although owners in Illinois report “Excellent” business health less frequently, more report “Good” health. And on the other side, fewer Illinois small business owners report “Fair” or “Poor” business health (Fig. 2). Overall, the numbers are quite similar, with the advantage in “Good” over “Fair” and “Poor” partially countered by the disadvantage in “Excellent.”

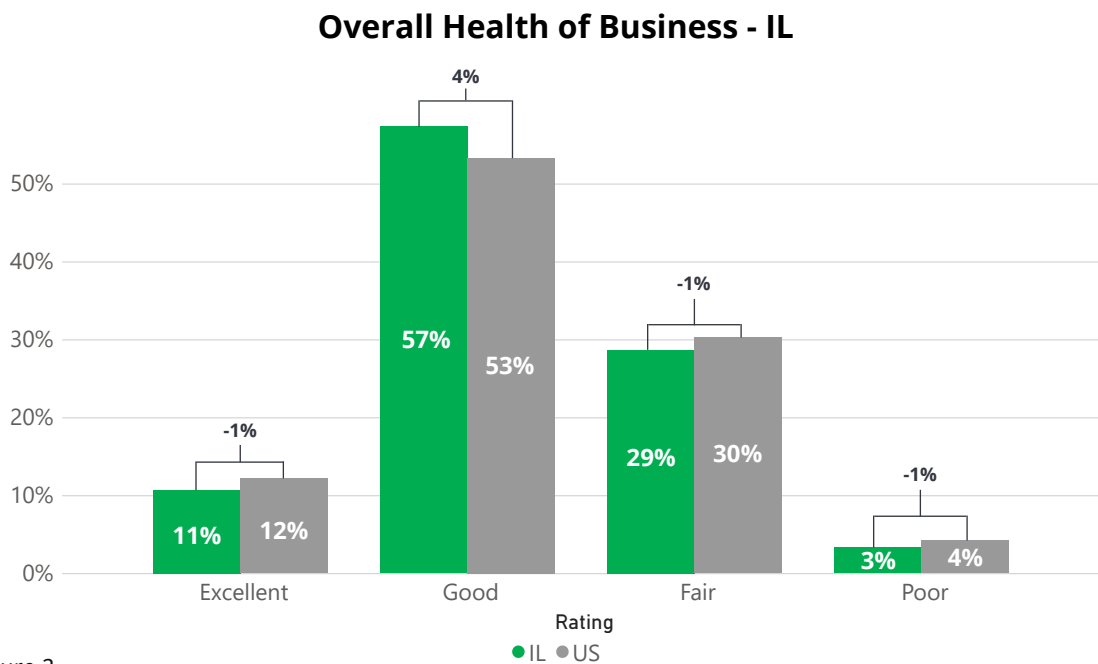


Figure 2

This performance is a marked improvement from last period, when Illinois’ small business health meaningfully underperformed the U.S. overall (just like the Optimism Index). On one hand, improvement is good news. On the other, it is bad news that the previous period underperformed. Consistent good performance would give confidence that

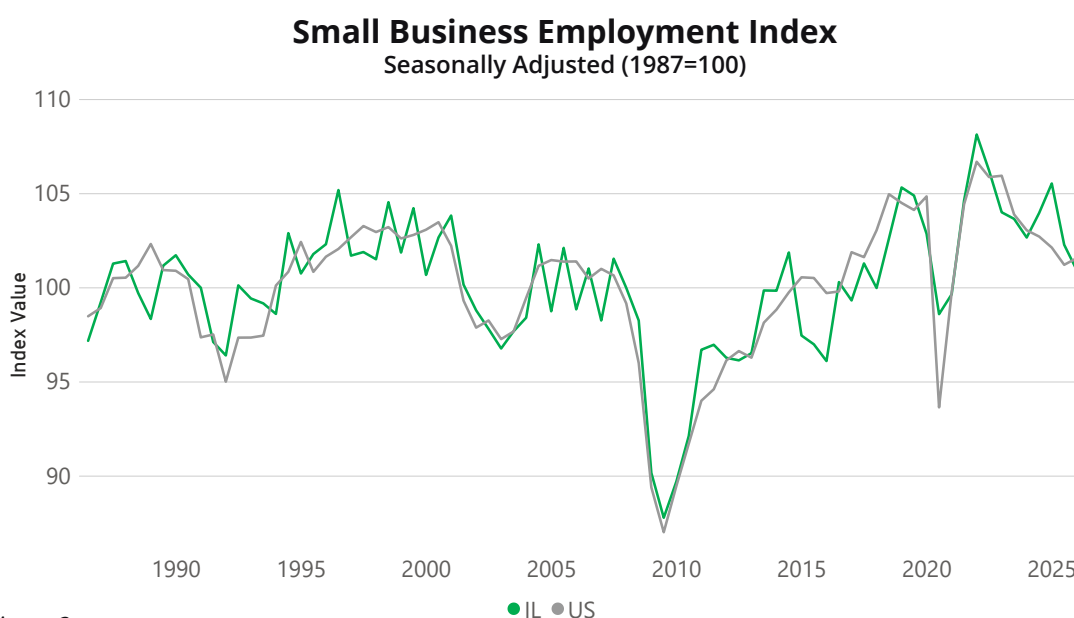
the current level is real and sustainable; underperformance last period alongside the persistent Index deficit implies that this period’s comparative strength in business health could be more reflective of noise and unlikely to recur next period. Only time will tell—but either way, it is good to see the stronger performance now.



Employment Index

In early 2026, NFIB launched a new Index to measure the pulse of the Small Business jobs market. Like the Optimism Index, the Employment Index takes a variety of underlying components (specifically, ones on job count and compensation) and combines them into a single metric. For this Index, higher numbers indicate a tighter labor market where workers are scarcer and harder to retain, and lower numbers indicate a weaker labor market where hiring and retention are easier.

Illinois' performance on the Employment Index has been better than on the Optimism Index in recent years. Currently, the Illinois Employment Index is 100.9, just 0.6 points below the U.S. mark of 101.5 (Fig. 3). Both are above the Index's long-term average of 100.0. Adding in the context of past periods shows that underperformance is not a longstanding issue. Illinois was above the U.S. in the past two periods, including by a wide margin a year ago (though it was behind the three periods before that). Overall, the current and historical data suggest a small business employment market similar to the national average.



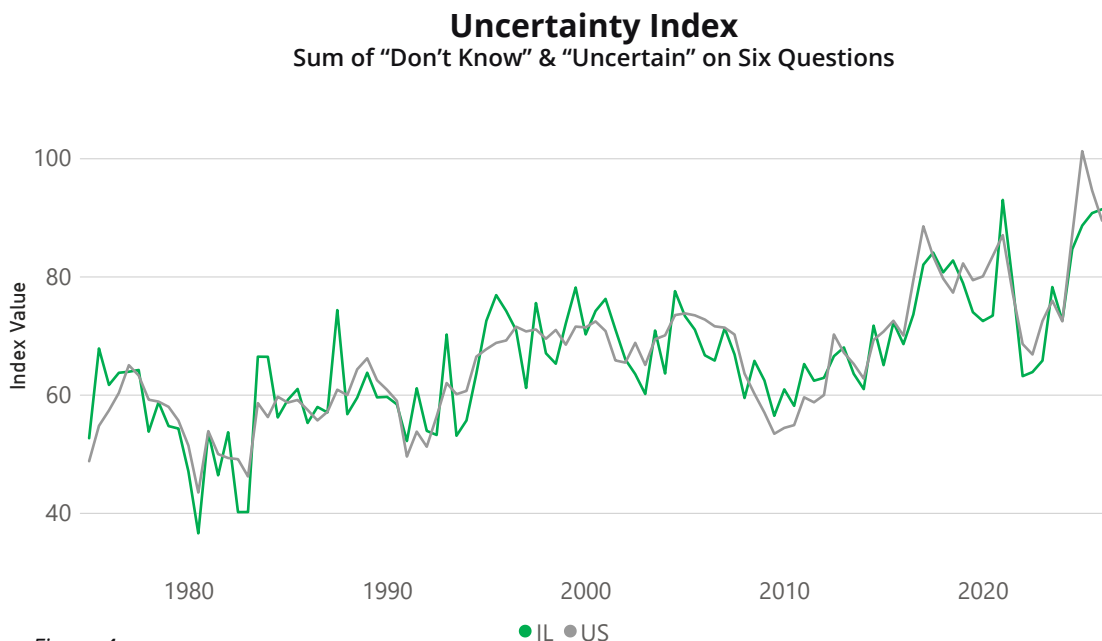
Looking at the underlying components, the underperformance is driven by one component in particular: Planned compensation. The results of that question have fallen dramatically over the last year, from overperforming the national level to significantly underperforming. In other words, wage pressure is easing in Illinois. The

observed movement probably reflects some noise (that's always a good bet when you're singling out the component with the most change), but it also reflects a stabilizing wage environment. Indeed, easing wage pressure is unsurprising given the high (and climbing) unemployment rates observed in Illinois.

? Uncertainty Index

In addition to Optimism and Employment, NFIB also tracks uncertainty via its Uncertainty Index. The story on Uncertainty has been quite stark in recent periods: A spike that marked a 52-year record high level for Oct. 2024-Mar. 2025, then a steady decline over the past two periods that leaves uncertainty above its prior record high. Except, that's the national story, and the Illinois story has been completely different (Fig. 4).

Unlike the U.S. overall, Illinois did not have a dramatic spike to an all-time record last year. And, again unlike the U.S. overall, Illinois has experienced increasing rather than decreasing uncertainty in the past two periods. And for one last key difference, Illinois still hasn't set a new record; its record remains the period immediately preceding the brunt of the pandemic (Oct. 2019-Mar. 2020).



The upshot of this unique trend is that Illinois' Uncertainty Index level is just a bit higher than the U.S. right now. Looking forward, this will be particularly interesting to track. The U.S. has been trending steadily downward—will that continue? Illinois has been on the way up, though slowing—will its rise cease?

Will it perhaps even turn down, following the national trend? Current trends suggest Illinois may experience higher uncertainty than the U.S. next period, but such projections are dubious in normal times and far more so when a major disruption (higher fuel prices) is already taking place.



Top Issues

To better understand the texture underneath the more purely good/bad metrics like Optimism and small business health, and the Employment Index, NFIB asks owners to identify their single most important problem. This question's results align well with other datapoints and illustrate the top reasons why small businesses might be underperforming in Illinois.

In Illinois, the top issue for small businesses is taxes, which rates far ahead of labor quality and poor sales, both of which are tied for second

place (Table 2). That contrasts sharply with the U.S. overall, where labor quality is the top issue and taxes is second. That labor quality is less of an issue in Illinois is unsurprising given its higher unemployment rate, fewer job openings, and slightly lower Employment Index. That taxes are so much worse is striking. It is also a likely reason why small businesses have had such longstanding underperformance in the Optimism Index.

Single Most Important Problem	Current (IL)	Current (U.S.)	Difference (Rounded)
Competition from Big Business	7.3	5.7	2
Labor Cost	6.0	8.5	-3
Financing & Interest Rates	2.6	2.9	0
Government Regulation	8.6	8.2	0
Inflation	13.2	12.6	1
Labor Quality	13.2	19.9	-7
Taxes	23.2	17.3	6
Poor Sales	13.2	9.8	3
Cost or Availability of Insurance	5.3	9.9	-5

Table 2



Top Issues (cont.)

Looking at other categories, fewer small business owners in Illinois marked insurance as their top problem, likely reflecting Illinois' historically robust insurance market. As the state leans into further insurance regulation and mandates, it will be interesting to see if these numbers change—going either up or down—in the future. Slightly more small business owners listed poor sales and labor cost. The latter naturally links to labor quality, and the other job metrics covered earlier.

The next three figures cover the full history of each of the nine problems, broken into groups of three so that each graph has a manageable

number of lines. The first trio includes three of the most consistent issues: Taxes, Government Regulations, and Competition from Large Businesses (Fig. 5). As you can see, the current high level of taxes is no novelty, with taxes having nearly always been in the vicinity of 20 percent of owners reporting it as their top problem. Government Regulation has been much less consistent, with occasional peaks above 20% (the early 2010s were a rough period) while mostly remaining lower. Competition for large businesses is rarely minimal, but at the same, it is consistently less of a problem than most others.

Single Most Important Problem - IL

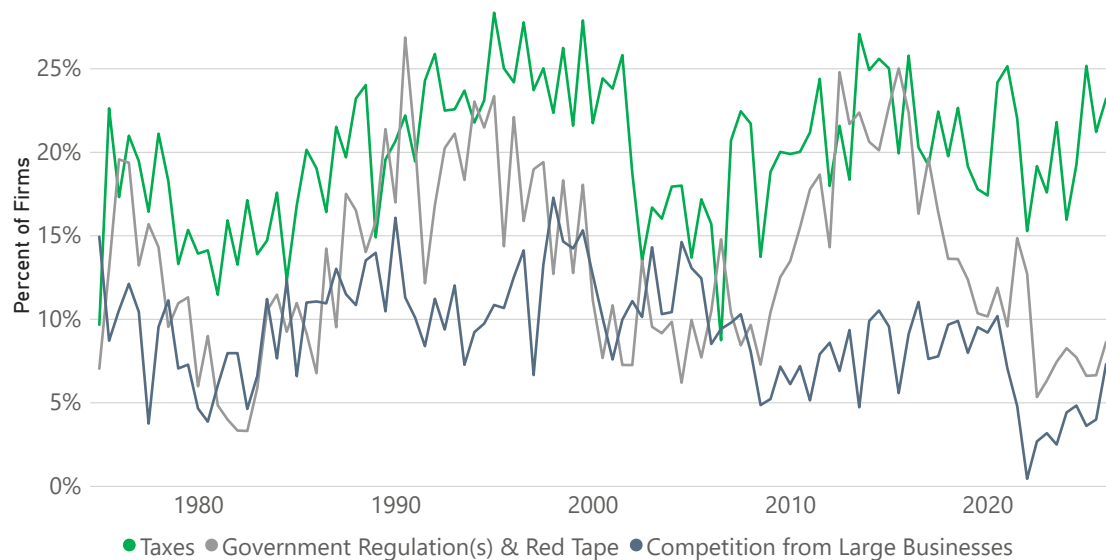


Figure 5



Top Issues (cont.)

The next trio are among the least consistent issues: Poor sales, labor quality, and labor cost. These tend to be inversely related: Poor sales spikes in a recession while labor quality and cost spike in an economic boom. Indeed,

the worst era for poor sales was the Great Recession, and the worse eras for labor quality and cost were the good years immediately prior to the pandemic and the post-pandemic boom (Fig. 6).

Single Most Important Problem - IL

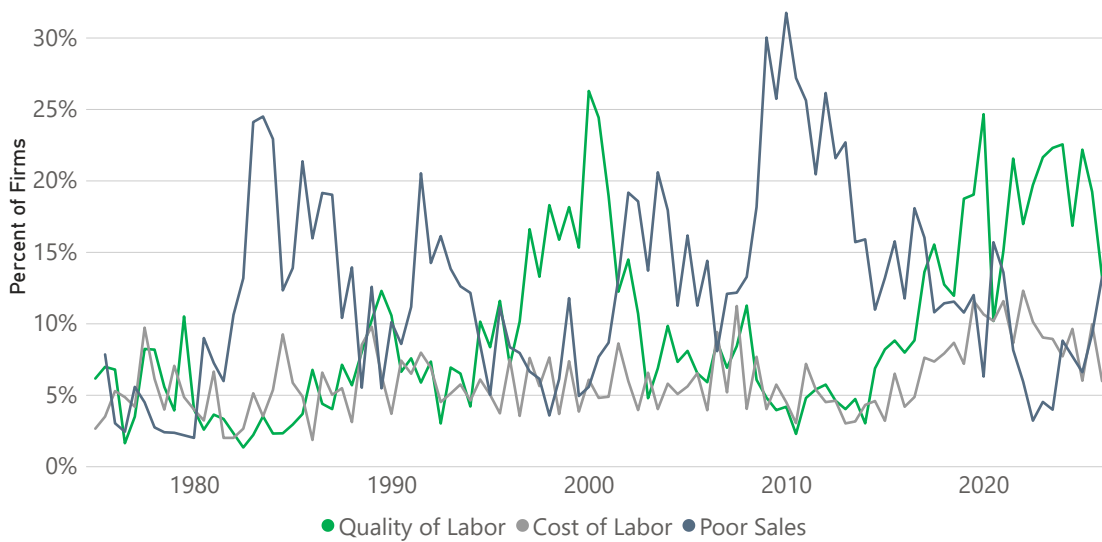


Figure 6



Top Issues (cont.)

The final trio includes inflation, financing costs, and insurance costs. Inflation has had two peaks: The worst during the late 1970s stagflation and then again with the post-pandemic inflation spike. Financing costs had

one spike: in the early 1980s after the Federal Reserve dramatically raised rates to end the aforementioned stagflation. Insurance has mostly been a lower-level issue, though it ranked high in the mid-2000s.

Single Most Important Problem - IL

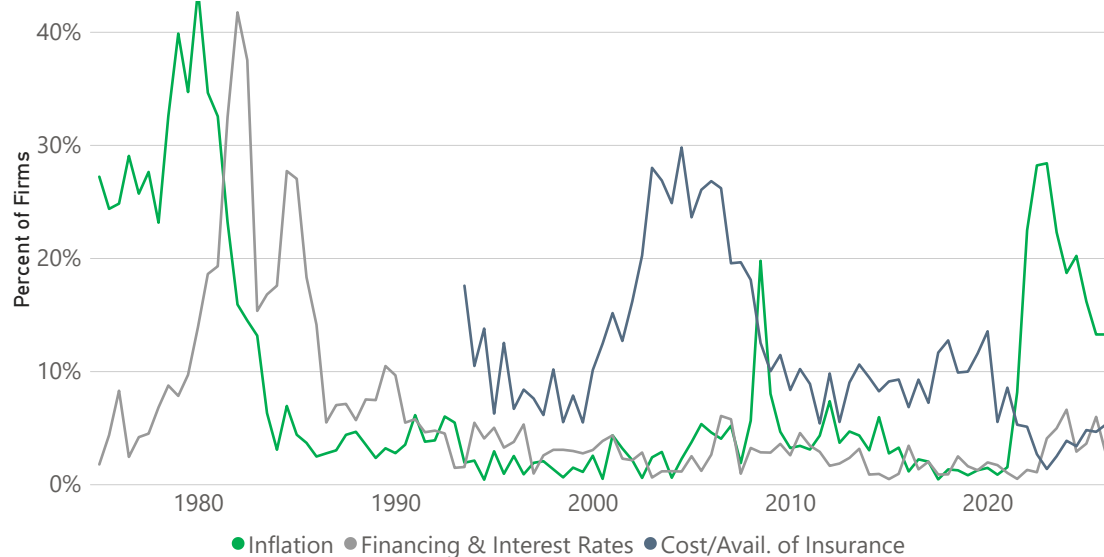


Figure 7

Conclusion

Illinois remains an economic powerhouse despite trailing in economic growth compared to national trends. For small businesses, the current data doesn't look too bad—a bit worse than the country overall. But Illinois has underperformed on Small Business Optimism for over a decade. That's an extremely long time. A critical question is, of course, why? Data on small business owners' single most

important problems suggest taxes, though the picture is undoubtedly more complex than that answer alone. In addition, the labor market is a concern, as unemployment is high and job openings at small businesses are lower than they are for the rest of the country. It's not a terrible picture, but there's more than a little room for improvement.



Methodology:

The data for this report is sourced from our Small Business Economic Trends Survey, which polls a random sample of NFIB members. The survey ran quarterly from 1973 to 1985 and has run monthly from 1986 through the present. As this is a national survey, the number of responses from an individual state are not necessarily statistically meaningful in a given month. To create this new state-specific report, we pooled data from multiple surveys into a weighted average for a given season (Apr-Sep for summer and Oct-Mar for winter). In the monthly era, that means six months of data, and in the quarterly era, that means two quarters of data. For winter 2026, Illinois had 151 total responses.